Mike Finlay
1256 HWY 765 West
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February 13, 2015

Mr. Barry F. Mardock
Deputy Director, Office of Regulatory Policy
Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102-5090

Re: Proposed Rule: Regulatory Capital, Implementation of Tier 1/Tier2 framework;
79 Fed. Reg. 52813 (September 4, 2014)

Dear Mr. Mardock:

As a member of the Board of Directors of Central Texas Farm Credit, ACA (CTFC), I appreciate the opportunity to comment on the Farm Credit Administration's ("FCA's") proposed rule on regulatory capital and the implementation of a two-tiered approach similar to the Basel III framework as well as the agency's extension of the deadline for submitting these comments. CTFC has submitted a comment letter and I will not attempt to recreate that letter with my comments although I am in full support of the comment letters submitted by CTFC, our funding bank, the Farm Credit Bank of Texas (FCBT), and the Farm Credit Council. My comments on the proposed regulations can be summarized as follows:

- Allocated Equities should be treated as retained earnings and included in CET1 capital. These equities originate as retained earnings and can only be retired at the discretion of the Board. In addition, I believe that both the 10 year minimum revolvement requirement for CET1 and the 5 year minimum requirements for Tier 2 should be eliminated.

- Our loan volume and, as a result, our direct note balance with our funding bank varies from year to year. FCBT currently adjusts the amount of equity we are required to hold in the bank annually. This practice allows us to only capitalize our share of the risks and cost of the bank's capital. Any change in this practice imposed by regulation could result in a disproportionate allocation of the bank's risks. I believe that the stock held by Associations in their funding banks should be treated like the stock that our individual borrowers are required to purchase in order to obtain loans. A decline in our direct note balance should be treated like a payoff and a commensurate amount of stock should be available for retirement with no requirement to hold that stock for any period of time, certainly not 10 years, before retiring it.

- FCBT should not be required to capitalize our excess borrowing base as an unfunded commitment. For reasons that are fully explained in our Association's comment letter, we believe that requiring the banks to capitalize their excess commitment in direct loans to Associations would result in double capitalization. In a sense, it would penalize banks for lending to highly capitalized Associations. The impact of this requirement would be an increase to cost of funds for both Associations and individual borrowers.

- Eliminate the requirement for capitalization bylaw amendments.

- The safe harbor for capital distributions should be increased to a level that is more consistent with the regulations of the U.S. banking regulators. There are adequate checks and balances in place to keep an institution from acting irresponsibly.

- Safe harbor should include incidental redemptions of borrower stock for estates and pursuant to court orders.

- Eliminate the 30 percent/3-year haircut for redemptions made without FCA approval and allow corrective actions to be case-by-case.

- Eliminate the requirement for a specific percentage of URE and URE equivalents in Tier 1 capital for the purpose of calculating the leverage ratio. As an alternative the CET1 capital should include the amount of URE and URE equivalents as an institution's board of directors determines is prudent and consistent with operating on a cooperative basis.

- Reduce the Tier 1 leverage ratio from 5 percent to 4 percent in line with Basel III requirements.

If FCA does not make these recommended changes, then we would urge the agency to consider the other clarifications and alternative proposals set forth elsewhere in the comments from CTFC, FCBT and the Farm Credit Council on behalf of the System. These clarifications would not cure, but would help to mitigate the problems that would be generated by the proposed rule. Again, we thank you for your consideration of these comments and the extension of the deadline for submitting them.

Sincerely,

Mike Finlay

Mike Finlay
Director
Central Texas Farm Credit, ACA